

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 GSA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 /089 W

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R 092000Z MAY 75

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 7657

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E.O. 11652: N/A

TAGS: EMIN, JM

SUBJECT: BAUXITE: ALCAN ANNOUNCES SECOND CUTBACK IN
PRODUCTION

REF: KINGSTON 0798

1. ALCAN JAMAICA LTD ANNOUNCED SECOND CUTBACK IN ALUMINA PRODUCTION FROM 1,032,000 METRIC TONS TO 961,000 METRIC TONS, WHICH EQUATES 85.5 PERCENT OF 1975 PRODUCTION GOAL. CUTBACK EXPECTED TO BEGIN THIS MONTH AND DIVIDED BETWEEN KIRKVINE AND EWARTON PLANTS. ALCAN INDICATED THERE WOULD BE NO LAYOFFS OF REGULAR EMPLOYEES AND CUTBACK WOULD BE HANDLED BY REDUCING OVERTIME, RE-DEPLOYMENT OF WORK FORCE, REDUCTION IN NUMBER OF TEMPORARY LABORERS. REASON GIVEN FOR CUTBACK IS SLOWDOWN IN ALCAN'S SMELTERS WHICH ARE NOW OPERATING AT 80 PERCENT OF CAPACITY IN THE UK AND CANADA BECAUSE OF PRESENT MARKET CONDITIONS.

2. BECAUSE OF THIS CURTAILMENT, ALCAN ANNOUNCED ITS 1975 BAUXITE PRODUCTION WOULD BE ABOUT 215,000 LONG DRY
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TONS BELOW THE MINIMUM REQUIRED BY THE BAUXITE PRODUCTION

LEVY ACT (607,500 TONS PER QUARTER). THERE IS PROVISION
IN THE ACT (SECTION 6) FOR THE FINANCE MINISTER TO WAIVER
THE LEVY "IF HE IS SATISFIED THAT IT IS JUST AND
EQUITABLE SO TO DO".

3. COMMENT: THIS IS FIRST ANNOUNCEMENT BY BAUXITE/ALUMINA
COMPANY THAT MARKET CONDITIONS ABROAD HAVE FORCED CUTBACK
BELOW MINIMUM TONNAGE REQUIREMENT, AND ALCAN WILL UNDOUBT-
EDLY APPLY FOR WAIVER AS PROVIDED BY LAW. IN EMBASSY
VIEW, GOJ UNLIKELY TO GRANT SUCH WAIVER BECAUSE IT
WOULD NO DOUBT SET A PRECEDENT, AND BECAUSE GOJ NEED
FOR REVENUE OVERWHELMING. SITUATION COMPLICATED BY
FACT ALCAN EXPECTS TO BE NEXT COMPANY TO NEGOTIATE WITH
GOJ. GIVEN GOJ INSISTENCE ON COMMITMENT TO EXPAND AS
QUID-PRO-QUO FOR REDUCTION IN TAX RATE, NEGOTIATIONS
COULD BE PROLONGED. ON THE OTHER HAND, PRODUCTION LEVY
WAIVER MIGHT BE GRANTED ASTRIDE-OFF TO GET PROMISE OF
ADDITIONAL INVESTMENT.
GERARD

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Message Attributes

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Margaret P. Grafeld
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